PROPOSAL EVALUATION

Proposition 84 Integrated Regional Water Management (IRWM) Grant Program

Implementation Grant, Round 1, FY 2010-2011

Applicant	San Luis Obispo County Flood Control and Water Conservation District	**Amount Requested**	$ 11,555,556
Proposal Title	San Luis Obispo County Integrated Proposal	**Total Proposal Cost**	$ 187,054,507

PROPOSAL SUMMARY

The proposal consists of 4 projects: (1) IRWM Grant Administration, (2) Los Osos Wastewater Plant, (3) Flood Control Zone 1/1A Waterway Management Program 1st Year Vegetation and Sediment Management Project, and (4) Nipomo Waterline Intertie Project

PROPOSAL SCORE

Criteria	Score/ Points Possible	Criteria	Score/ Points Possible
Work Plan	**9/15**	Economic Analysis – Water Supply Costs and Benefits	**9/15**
Budget	**4/5**	Water Quality and Other Expected Benefits	**9/15**
Schedule	**3/5**	Economic Analysis – Flood Damage Reduction	**9/15**
Monitoring, Assessment, and Performance Measures	**5/5**	Program Preferences	**8/10**
		Total Score (max. possible = 85)	**56**

EVALUATION SUMMARY

The following is a review summary of the proposal.

Work Plan

The proposal does not fully address the criterion and has insufficient supporting documentation. In general, the work plan is poorly organized and there is not a consistent format, or Table of Contents, provided to allow the reviewer to easily navigate between sections of the work plan and application as a whole.

The Project 2 work plan lacks design specifics associated with the "Design-Build" process. Without the support of detailed engineering documents, drawings and specifications, there is less assurances that the project can be implemented in compliance with the budget and schedule. Sketches and renderings of waste water treatment plan (WWTP) components and locations are included in Exhibits 2C, 2D, and 2F, but lack detail.

No supporting scientific evidence is provided to show that endangered salmonids and amphibians would benefit from Project 3 ($2.2M requested). The work plan does not clarify where the sediment (that would be removed from the stream channel) would be stored/deposited/used. An addendum to the Project Environment Impact Report (EIR) may be required if the removed sediment needs to be transported a long distance.

Project 4 is at 90% design stage, but it is unclear which permits have been received, or which permits still need to be obtained prior to implementation. Implementation of the project could be held up if permits are not documented as in hand or imminent.

Budget

The budget appears to be reasonable, but supporting documentation lacks detail or insufficient. Project 2 includes an estimate of $5 million for the Water Conservation Plan (as required by the Coastal Development Permit) but lacks supporting documentation as to how this estimate was reached. The billing rates for County staff time for Projects 2 and 3 are different. A rate sheet from the County explaining the differences in costs for various personnel should have been included. Project 3 does not include a sediment disposal location. This unknown can severely impact the estimated project budget. Construction management costs for Project 4 are estimated at 17% of the total project cost, which seem high. Documentation supporting this rate is not provided with the application.

Schedule

The schedule is not entirely consistent. Page 6 of the schedule states that both the bid advertise and award for Phase 1 of for Project 2 will occur in one month; while page 9, the actual project schedule, shows the advertise and award process would take 3 months. Page 26 of the work plan shows for Project 2 the collection system design complete by June 2011; in the schedule, page 9, the collection system design is complete by November 2011. Page 26 of the work plan shows a "Due-Diligence Review/Resolution" task completed by February 2011; Page 9 of the schedule shows the same task completed by March 31, 2011.

Monitoring, Assessment, and Performance Measures

The criterion is fully addressed, and supported by through and well presented documentation and logical rationale. Each project is consistent with the applicable Basin Plan; the appropriate output indicators are listed for each project; and the monitoring methods, and measured parameters meet the targets for each project shown in Tables 6-1 through 6-3.

Economic Analysis – Water Supply Costs and Benefits

Only average levels of benefits relative to costs can be realized through this proposal, as demonstrated by the analysis and supporting documentation. Monetized water supply benefits of $163.3 million are claimed by two projects, Project 2 ($65.338 million) and Project 4 ($97.966 million). Both the benefits and costs are overstated by about 10 percent because they are first discounted in 2009 rather than 2011.

The benefits of Project 2 are claimed via two avoided projects: wellhead treatment for nitrate contamination, and imported SWP water to stop seawater intrusion. It is not clear that the avoided cost of wellhead treatment is a likely benefit. If the Plant is not built, communities could probably continue to rely on the deep aquifer for years, especially with the SWP imports. Also, since the Project 2 will take years to clean up the groundwater, it seems likely that, if wellhead treatment would be required without the Wastewater Plant, it would also be required even with it. The benefit claimed for avoided cost of wellhead

treatment is about $16.1 million, only 10 percent of the total, so it's not very important. The benefit of Project 4 is also based on an avoided project cost. The Attachment 7 analysis documents that desalination is the "second most feasible supplemental water project." Since some alternative supply project must be implemented, this seems a fair approach and result.

Water Quality and Other Expected Benefits

Above average levels of benefits relative to costs might be realized through this proposal; however, the quality of the analysis is moderate and supporting documentation is partially substantiated. Monetized water quality and other benefits of $821.25 million are claimed by Project 2. This benefit is based on a fine of $182,500 for each of 4,500 households. These fines are a transfer within the State, and therefore, cannot be considered a benefit. Qualitative benefits are claimed by Project 3 and the Project 4. The avoided cost of additional cost of wellhead treatment might be appropriate as a measure of water quality benefit. However, it is not clear that wellhead treatment would be implemented anytime soon if the project is not granted, because the communities now use the lower aquifer for their water supply. Still, this is a significant water quality problem that wastewater treatment would eventually alleviate.

Economic Analysis – Flood Damage Reduction

Only average levels of benefits relative to costs can be realized through this proposal, as demonstrated by the analysis and supporting documentation. Monetized flood damage reduction benefits of $28.02 million are claimed by the Project 3. Benefits are based on historical floods with reduced probability of levee failure for the five-year and eight-year events. The resulting expected annual damages (EAD) was calculated correctly. A variety of other qualitative benefits are rightfully discussed.

Program Preferences

The proposal includes projects to demonstrate that a number of Program Preferences will be achieved with a significant degree of certainty. However, the proposal does not meet the preference for addressing a specific critical water supply or water quality need of a disadvantaged community. Claimed program preferences include: Drought preparedness, Include regional projects or programs, Effectively integrate water management programs and projects within a hydrologic region, Effectively resolve significant water-related conflicts within or between regions, Use and reuse water more efficiently, Protect surface water and groundwater quality.